

# Memorandum

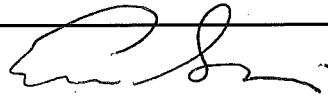
**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Kerrie Romanow

**SUBJECT:** SEE BELOW

**DATE:** May 4, 2012

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Approved  Date 5/4/12

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## SUPPLEMENTAL

**SUBJECT: ADDITIONAL INFORMATION ON SB 568 (LOWENTHAL)  
RECYCLING: POLYSTYRENE FOOD CONTAINERS**

## REASON FOR SUPPLEMENTAL

This supplemental memorandum provides additional information in response to questions raised at the May 2, 2012, Rules Committee meeting related to SB 568 (Lowenthal) Recycling: Polystyrene Food Containers.

## ANALYSIS

At the May 2, 2012, Rules Committee meeting, staff recommended a "support" position for Senate Bill 568 which addresses food packaging made from expanded polystyrene (EPS). Staff was asked why a position is being recommended on a bill currently inactive and concern was expressed about the potential impact the bill's passage could have on jobs in California.

### **Inactive Status**

The bill has passed the Senate as well as both policy and fiscal committees in the Assembly. It is currently on the floor of the Assembly and has until August 31 to pass. The bill's author had it placed in the inactive file while the necessary votes for passage could be obtained. Senator Lowenthal's office continues to garner support for the bill and plans to bring it to the floor for its third reading in the coming months. The office is particularly interested in support from large California cities. On February 15, 2012, the City of Los Angeles provided its support for the bill. Support from San José, California's third largest city, could encourage action on the bill.

### **Potential Impact to Jobs in California**

In its August 29, 2011, "Floor Alert," on this bill, the California Chamber of Commerce expresses concern over potential job losses that could result from the bill's passage. According to the Alliance of Foam Packaging Recyclers Association, there are 1,000 people employed in the manufacture of EPS in California, 400 of whom manufacture food packaging products.

However, with the recent increase in the price of benzene (a constituent in expanded polystyrene) as well as an increase in demand for non-EPS packaging, EPS sales have decreased in recent years. It is estimated that the demand for "green" packaging will increase by 3.9% annually through 2014, making the degradable plastics market worth \$380,000,000 by 2014. Studies show that decreased demand and shrinking jobs in the traditional EPS packaging industry have been driven by consumer demand for more eco-friendly packaging and expansion in those industries. This trend is increasing the number of jobs in non-EPS packaging in California. There are at least six companies in California making non-EPS food packaging (employing approximately 1800 people) and two making these products from EPS (employing approximately 1000 people). In fact, some manufacturers of EPS packaging are also manufacturing non-EPS packaging as well.

#### **Companies that Make Non-EPS Food Packaging Alternatives in California:<sup>i</sup>**

1. Huhtamaki- Los Angeles & Sacramento (400-650 employees)
2. International Paper- Visalia (250-499 employees)
3. Fold Pak- Fresno (80 employees)
4. Biosphere - Carpentaria (50 employees)
5. Peninsula Packaging- Exeter (265 employees)
6. Pactiv- Santa Fe Springs, Red Bluff, City of Industry (approx. 550 employees)<sup>ii</sup>

#### **Companies that Make EPS Food Packaging Products in California:<sup>iii</sup>**

1. DART, Lodi(100 employees) and Corona (500 employees)
2. Pactiv-Fresno, Bakersfield, City of Industry (approx. 550 employees)

Several companies have successfully transitioned to non-EPS food packaging. According to GreenBiz.com, Marriott phased out the use of EPS in favor of biodegradable products at its headquarters in Maryland in 2007. They estimate that this change will prevent 20 tons of plastic and EPS waste. In March, 2012, GreenBiz.com also reported that McDonald's is piloting alternatives to EPS drink cups in its West Coast restaurants. Local McDonald's restaurants are transitioning the last few EPS food packaging products currently in use to food service ware that is compliant with the City's new commercial recycling and composting program scheduled to begin on July 1, 2012. Their new in-store recycling program is currently available at the ten McDonald's Restaurants in San José owned and operated by San José-based Cam-Bas, Incorporated. Cold Stone Creamery transitioned to paper cups from EPS because it was cheaper.

In terms of impacts to local food service establishments, ESD staff surveyed 28 California jurisdictions with populations of more than 80,000 that have banned EPS food ware. Cities

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surveyed included San Francisco, Oakland, and Palo Alto. While the California Chamber of Commerce expresses concern<sup>iv</sup> that such a ban will adversely affect the food service industry, its workers and customers, surveyed cities reported no indications of adverse business or other negative economic effects related to the banning of EPS in their communities.

As the demand for alternatives to EPS food packaging increases, jobs will continue to shift away from the EPS industry to alternative packaging companies. Furthermore, given concerns about the health impacts of styrene exposure on workers<sup>v</sup>, transition to non-EPS packaging may help create jobs that are less risky to them.

/s/

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For questions, please contact Napp Fukuda, Acting Deputy Director, at (408) 793-5353.

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<sup>i</sup> Information obtained via personal contacts, company websites, Manta.com and newspaper articles.

<sup>ii</sup> Pactiv information obtained via in person meeting with Pactiv- June 30, 2009, testimony provided by Pactiv on June 27, 2011 before the Assembly Natural Resources Committee, and information obtained from Manta.com. Information on Dart provided by Dart container in the media and testimony before the Assembly Natural Resources Committee on June 27, 2011.

<sup>iii</sup> Id.

<sup>iv</sup> California Chamber of Commerce "Floor Alert" dated August 29, 2011 with the subject "SB 568 (Lowenthal) Recycling: Polystyrene Food Containers Oppose/Job Killer.

<sup>v</sup> Senate Floor Analysis: July 12, 2011.